

ble telecommunications providers will receive. Its proposed benchmark is revenues generated by local, discretionary, access services and others as found appropriate (however, excluding toll revenues), divided by number of loops served. Sprint supports the concept of a nationwide average benchmark but recommends that it be set at the national average urban basic local service rate, including subscriber line charges, excluding revenues from access and discretionary services.

The Commission has announced its intent to address a critical triad of proceedings -- interconnection, USF, and access reform. These proceedings are closely related and, once successfully implemented, should result in the elimination of most (hopefully all) implicit subsidies, and rates for both local and access service which more closely reflect their economic costs. Upon implementation of these reforms, there is no reason to include cost-based access revenues in the benchmark revenue figure. Such inclusion will distort the universal service fund calculations and reduce the amount of universal service support legitimately due to high cost carriers. In addition, if access reform is properly implemented, there should be no non-traffic sensitive access charges (such costs should be recovered directly from end users). Thus, the only remaining access charges will relate to traffic sensitive costs of toll calls. Their inclusion would be irrelevant to the affordability of local service, and a valid proxy cost model should exclude from the supported costs the traffic sensitive costs of toll calls.

Nonetheless, if, contrary to the Act's mandate for explicit subsidies, implicit subsidies do remain in access charges, and to the extent that carriers receive universal service support in excess of the cost of providing local service (*i.e.*, including any access subsidy), the carrier should be required to flow through any excess universal service subsidy by reducing access charges. Failure to flow through such excess subsidy would constitute impermissible double recovery, which is clearly contrary to the public interest.

The benchmark figure should also exclude revenues from discretionary services. The universal service fund is intended to support basic local service, and thus the benchmark figure should include only basic local service revenues.

IV. THE COMMISSION SHOULD CLARIFY WHICH ENTITY SHOULD RECEIVE UNIVERSAL SERVICE SUPPORT PAYMENTS.

In the *Recommended Decision*, the Joint Board proposed that the Commission adopt the statutory criteria in Section 214(e)(1)¹¹ as the rules for determining whether a telecommunications carrier is eligible to receive universal service support (§155). While Sprint supports this recommendation, further elaboration by the Commission is warranted to help ensure that

¹¹ A common carrier is eligible to receive universal service support if it offers all of the services that are supported by federal universal service support mechanisms under Section 254(c); offers such services using its own facilities or a combination of its own facilities and resale of another carrier's services; and advertises the availability of and charges for such services using media of general distribution.

universal service support payments are administered on a competitively neutral basis.

First, the Commission should clarify that the ILEC will not receive any universal service support for unbundled network elements. The rates for these elements are to be set at TELRIC, and therefore no subsidy to the ILEC is needed or allowed. A qualifying CLEC which recombines the ILEC's unbundled network elements to offer local service is the end user's service provider, and therefore it is the CLEC which should receive the universal service support.

Second, under conditions of pure resale of ILEC facilities, the universal service support payment should go to the incumbent ILEC. In this situation, a reseller CLEC is not providing any of its own network facilities and thus is not eligible for support payments. Because the CLEC is obtaining service out of the wholesale tariff (retail rates less avoided costs), it is already getting the benefit of universal service payments inherent in the ILEC's retail rates.

V. THE INITIAL LIST OF SUPPORTED SERVICES FOR RURAL HEALTH CARE PROVIDERS SHOULD BE RELATIVELY MODEST AND CAN BE EXPANDED LATER TO REFLECT MARKET DEMAND.

In the Public Notice, the Commission has solicited comment on what services should be included in the list of services necessary for the provision of health care in a state, and in particular the most cost-effective ways to meet the telecommunications needs of rural health care providers, in order to satisfy Section 254(h)(1)(A) of the Act.

As the Joint Board found (§632), the record remains incomplete as to precisely what services should be provided to rural health care providers under this section of the Act, and what the cost of providing such services is. Sprint believes that the best approach to this problem is to establish a relatively modest initial list of services and then allow the market to determine whether demand exists for additional, more sophisticated telecommunications services among rural health care providers. This will allow rural health care providers to obtain access quickly to services for which they have an immediate need, without requiring massive subsidies for advanced services and the associated infrastructure for which there is at yet little or no demand.

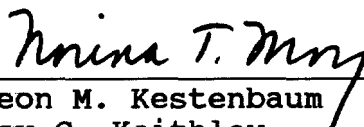
VI. CONCLUSION.

Sprint applauds the Joint Board's efforts to devise an effective and reasonable universal service support plan. The *Recommended Decision* contains numerous proposals which the Commission should adopt. However, the *Recommended Decision* also contains certain proposals which are either inconsistent with the statutory mandate, or which fail to go far enough in eliminating implicit universal service subsidies and moving local service and interstate access rates closer to cost. The Commission should thus decline to adopt the recommended subsidies for CPE and ISW for schools and libraries and for single-line business customers. In addition, the Commission should take necessary action to move rates closer to cost, by increasing subscriber line charges and

rebalancing local and interstate access rates; and clarify which entity should receive universal service support.

Respectfully submitted,

SPRINT CORPORATION

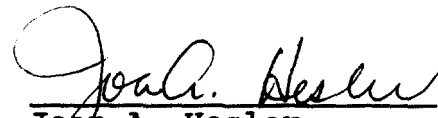


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December 19, 1996

CERTIFICATE OF SERVICE

I, Joan A. Hesler, hereby certify that on this 19th day of December, 1996, a true copy of the foregoing "COMMENTS" of Sprint Corporation, was served first class mail, postage prepaid, or hand delivered, upon each of the parties on the attached list.


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